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Office Memorandum • UNITED STATES GOVERNMENT

TO : Acting Comptroller

DATE: 19 November 1953

FROM : Chief, Program Analysis Staff

SUBJECT: Comments on Report Submitted by Auditor-in-Chief
dated 6 November 1953

1. This report is very general and in my humble opinion quite vague so that pertinent comments and recommendations based on this presentation are a bit difficult. Since operational activities, finance, O&M, and general management are so closely interwoven, I consider it preferable to make a few comments on the report as a whole and then some specific comments on individual parts of this memorandum.

25X1A 2. [REDACTED] is highlighting conditions pretty generally known and understood by those connected with the organization for any great length of time. Most of the observations result from a basic weakness in organization which stems from a lack of management at the top. It cannot be denied that there is a duplication of functions and procedures, that there is little integration of the operations of the field organization with that of Headquarters, viz. [REDACTED] with agents in [REDACTED] under the direction of Headquarters without the knowledge of the Station Chief, that many wasteful practices are countenanced, and that operational personnel have not been informed of their responsibility in the disbursement of government funds and have not been held accountable for their handling of the funds entrusted to their care. However, until top management recognizes these conditions and actively supports any program to remedy the weaknesses, action on the part of O&M, Comptroller, or anyone else is not only premature but doomed to failure. With this in mind, specific comments on the General's memorandum are furnished as follows:

25X1A a. While Agency personnel overseas are a hardworking, industrious group as a whole, the Auditor seems to have missed the greatest single weakness. Too many inexperienced people have been sent to the field and have been required to handle jobs beyond their present capability. Grade 7's, just out of school, have been assigned tasks of great responsibility. Persons of this calibre have been used as case officers and have to deal with highly intelligent, experienced individuals who because of their age and greater experience have outwitted and bamboozled our case officers. This, together with the lack of direction and assistance from Headquarters, has imposed an unbearable burden and has caused too many of them to work to the point of physical exhaustion without achieving results commensurate with efforts expended. This was noted especially in [REDACTED]

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b. One can hardly disagree with the General's contention that there is a great deal of duplication of functions and unnecessary handling of paper between the field and Headquarters. There is an almost complete duplication in the handling of the paper work concerned in the DD/P area. The field has been concerned with every detail of projects and in the handling of funds. Headquarters Area Divisions have been doing the very same thing and in many cases have hampered the field operations by insisting that every single transaction be approved at Headquarters, generally by someone who has no idea of what is going on in the field. This was clearly evident when I visited [REDACTED] other stations a year ago and not much seems to have been done during the interval.

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c. I concur in the General's comments in connection with FI activities. The directors of that activity appear to want central control over all operations throughout the world and this has resulted in restricting the field personnel to such an extent that it has hampered operations.

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d. The practice of approving an operational project such as [REDACTED] which is in effect a program and then requesting specific approval for every project designed to carry out the program has always appeared to me to be a waste of time and effort. If Headquarters is willing to approve the overall program and a definite sum of money to carry out the program, those in the field should be permitted to implement it within prescribed limits without securing additional approval for each specific segment.

e. Headquarters has been remiss in the past, and apparently still is, in giving the field inadequate information in which to carry out operations. It is appalling how many times one discovers that the field has never been advised of the aims of a [REDACTED] project nor the amount of money available to the field for carrying out the project. It is not at all uncommon to find that the project, as understood and implemented in the field, differs radically from that in Headquarters. Furthermore, projects are sometimes conceived in Headquarters and assigned to the field without the field having been consulted. The net result is that other than for the cryptonym there might as well be two separate projects.

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f. The failure of DD/P Headquarters Area Divisions to answer communications from the field is not a new situation. It has always existed, especially in EE, and always will exist until some pressure from higher authority is exercised to require the Area Divisions to answer communications.

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g. In my opinion a strong O&M group is necessary. This group should not concern itself primarily with the minor procedures but should be concerned with the overall organization of the Agency to determine when organizational changes are required. It should be working on an integrated Headquarters and field organization designed to carry out the programs assigned most effectively and efficiently consonant with the security considerations. It should be constantly working in an attempt to avoid duplication of effort and the resultant drain on Agency funds. In short, it should be a real management office, but to do that it must first have every assurance that the top people in this Agency desire an effective organization and are behind the program to set up such an organization. As it is not definite that the Director and some of his assistants wholeheartedly buy this concept it would be foolish to set up an O&M office to undertake that program until there is a certainty of adequate backing from the top.

h. Naturally, ~~We have to~~ agree with the ^{Auditor in Chief's} General's comments on the necessity for a financial report and program analysis in the field. To be effective, any program analysis must be agency-wide, and to be completely effective program analysis must be undertaken in each operational area as well as at Headquarters and the two parts integrated. Only then will we have an effective management tool. *If this recommendation is approved this Comptroller's Office in cooperation with DD/P will devise appropriate criteria and reporting instructions to the field.*

1. A complete analysis of the cash on hand at various stations needs to be made. Our examinations have strengthened our belief that an adequate analysis of the funds at certain stations has yet to be made. Greater emphasis on the maintenance of sufficient but not excessive funds will have to be given by the operating authorities.

j. The Agency should have comptroller-type personnel in all major proprietary projects. However, it is our impression that, for reasons of security, personnel presently connected with the Agency are not being considered for such positions. Recruitment from outside is preferred.

3. The recommendations made, though very general, enunciate objectives with which we can heartily agree. However, until those who can remedy the situation concur in this approach we, in the Comptroller's Office, will be wasting our time in a futile effort to correct the situation known to exist. With specific reference to [REDACTED] recommendation No. 7, that a directive be issued to the field prohibiting expenditures except for activities for which a formal allotment has been made to the field, the mere issuance of a directive will not correct the situation. We know that funds have been expended on one project and charged to another. We know that

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funds have been secured for one project and actually used on another, though charged to the proper project. This is characteristic of operations in the field. This situation can only be corrected through the proper education of case officers. Until each and every individual handling CIA funds is made fully cognizant of his responsibility and definitely subscribes to the proper method of handling funds, no marked improvement in this situation can take place.

4. Recommendation No. 9, that the Comptroller be charged with the preparation for transmission to the field of a suggested technique for program analysis, it is recommended that a manual be prepared by Program Analysis Staff outlining the functions of program analysis, enumerating the techniques used to compile the data required by management and prescribing reports tailored to the needs of the specific stations capable of being integrated with Headquarters reports.

5. I have long felt that to avoid duplication and to simplify the CIA organizational structure, we should have a complete decentralization. The field should be charged with a definite mission and be given a certain sum of money to carry out the mission. The Chief of Station should be given some latitude in the implementation of this mission and be given the responsibility of accomplishing the objective. His success or failure should then be measured and his administration judged accordingly. If the Chief of mission succeeds he should be commended and if the failure to accomplish the mission is a result of his poor judgment he should be removed. I subscribe wholeheartedly to a complete decentralization operationally, financially and administratively at the earliest practicable date.

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